

FATAWA CURRENCIES, GOLD, COMMODITIES 2009-2015

From: Abdur Raqeeb

Sent: Wednesday, February 04, 2009

Question: Forward Booking of US Dollars etc.

respected Dr Monzer Kahf

Assalam Alaykum

It is long since I heard from you. Hope this will find you hale, healthy and high in spirits.

I was told that you have moved to Qatar. If so on what special purpose?

I am forwarding a question from a business friend who forward book Dollars/foreign currency for his future export contracts.

Kindly reply the same with a detailed explanation.

From: nayyar

Dear Br.

Assalam Alaykum warahmatullahi wabarakatuhu,

Alhamdulillah Jazaakallah for your kind offer to help.

Can You please inform us whether forward booking of the US dollar is allowed???

If yes, please inform what are the conditions under which we can do

the forward booking of the US Dollar or the Euro or the Pound

Sterling? Jazaakallah, Wassalam,

Nayyar

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Brothers Abdur Raqeeb and Nayar

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Speculating on foreign exchange for the purpose of making profit as is done on the internet Forex trading and in the Forex markets is not permissible. Further, we have a correct Hadith to the effect that exchanging currencies must be only with immediate delivery and full payment of the two currencies (hand to hand).

On the other hand buying future currency contract to for a future obligation or future asset in a foreign currency as in the question is a genuine real need and genuine real needs are not prohibited. I prefer however the use of options because the form of the future currency contract seems to come in a head-on contradiction with the Hadith referred to above.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Nur

Sent: Sunday, February 15, 2009

Question: Forex Trading

Can you please check the Forex web and give me your view whether it is permissible or not.

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Nur

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I do not give a Shari'ah opinion based on info on a website. Producers change on websites continuously. If you want a specific question write it with all pertinent info and I will try to answer it.

My opinion on internet currency trading is now that all of it is prohibited for the following reasons:

- 1) Trading is done in pairs, this means that a currency is purchased against another currency regardless of the account you have with them. This make the condition of delivery impossible and any claim of delivery is thus incorrect.
- 2) Day and other internet trading forms are all speculative and do not produce any real value. They are like gambling games that result in one profiteering and other loosing. Un-necessary speculation that produces no value.

Thank you for searching my previous views and all are amended according to the above.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Salam dear Dr. Monzer Kahf

Here are listed my findings about Forex in the Shari'ah view via the net and I am sure most of them are from you :)

(1) <http://www.islamonline.net/livefatwa/english/Browse.asp?hGuestID=Ta407M>

Online Forex trading is essentially forbidden because of the requirement of full delivery or both currencies at the time of the contract. This requirement is mentioned in a correct saying of the Prophet. Consequently, any contract in which you pay an amount that is smaller than the exact value of the other currency (margin) is not permitted. Also, any contract that has a time lag in the delivery of either currency is not permitted. This leaves out, as permissible, day trading and spot trading if they are done with full cash payment.

(2) http://www.islamonline.net/servlet/Satellite?pagename=IslamOnline-English-Ask_Scholar/FatwaE/FatwaE&cid=1119503543678

Trading in currencies has certain rules and regulations in the Shari'ah. The most important rule to remember when trading in two different currencies is that it has to be on spot basis, i.e., you are not allowed to trade in options and futures on currencies. In addition, you are not allowed to trade by margin (paying only 10% of the total amount while the balance is considered to be debited to your account). If you are trading in cash and on spot basis, then this is allowed in the Shari'ah whether it is done on a day trading basis or more than a day since you are 100% owner of the currency and you can sell it any time you wish.

(3) <http://www.islamonline.net/livefatwa/english/Browse.asp?hGuestID=RifoZL>

Question: I want to know if dealing in FOREX market is haram or not?

Answer: Dealing in Forex has conditions to be permissible: 1) it must be with no interest, 2) it must be spot only, no future, and 3) it must be with full payment and without any margin. On

the other hand, you must remember that it is very risky and in the final analysis it does not in reality add value, it is merely speculative, a point that makes it very hated in Shari'ah.

(4) <http://www.islamonline.net/livefatwa/english/Browse.asp?hGuestID=1380rA>

Trading currency in the Shari'ah has the following requirement: the transaction must be cash, i.e., with immediate delivery of both currencies at the time of contracts. This means the following:

1. You have to have accounts in the currencies you are trading.
2. Credit and debit of the currencies traded must be done immediately at the time of contract.
3. The transaction must be spot, forward in currencies is not permitted.
4. Trades on margin are not permitted as the full amount of both currencies must be debited/credited at the same time that is the time of the contract.

If these four conditions are fulfilled, it doesn't matter whether the broker allows you to withdraw immediately or not these becoming procedural matters not related to the contract.

(5) <http://www.islamonline.net/livefatwa/english/Guestcv.asp?hGuestID=7H0Jcz>

I look forward for your reply :)

Wassalam.

Your sister in Islam

Nur

My Answer:

Please see my answers in red below your questions

Monzer

From: Minhaj

Sent: Thursday, April 23, 2009

Question: currency trading according to Islamic principles

Dear Br. Dr. Monzer Kahf Assalam Alaykum: I pray you are in the best of health and Iman.

Recently, I have read your article: "The Global Financial Crisis; Ideas for Long Term Solutions: Short Term Notes". I appreciate your voice of reason and amr bil ma'roof.

I need some reasoning voice to see if I am doing anything wrong against the noble Islamic principles. In one of your lectures at the MCA in Santa Clara, I had asked you a question if trading currencies were permitted. And, if I recall correctly, your answer was "yes it is as long as there is no interest involved."

Br. Yaqoobi has also given fatwa that trading in currencies is permitted as long as they are not done on margins and no interest is involved.

However, your article says "limiting the transactions of currency trade on internet or completely banning them and canceling the licenses of platforms of currency speculations on the Internet."

I agree on your premises as speculations does not add any value to real economies and creates crisis.

However, what if the currency trading is done without margins and without any interest on deposits, wouldn't it be "Bay'" where there is buying and selling involved? The way I trade is: First, no margins at all. Second, no interest on deposits. Third, spot trade where there is a contractual agreement that the settlement is done on the spot and not 2 days later. I trade through Duetche Bank and I deal in a few million dollars using their internet platform that has been modified to meet my requirements of no margins, interest and spot trading.

In fact, I trade with my own money and not funds from anyone. My objective has been to

create an alternative system of currency trading whereby it is halal. And, once I have my methods together, I would want to offer this product to Islamic banks, institutions, and to investors. As you already know very well, Islamic banking lacks in halal products and my intention has been to offer this service. But I did not want to take risk with other peoples' funds and therefore use my own funds.

The objective has been noble as I do see many brothers and sisters in our community are either involved in stocks (some of it halal and some of it not so) or other trading activities. I also see that a lot of Muslim money is lying idle in banks. Wouldn't it be better to offer halal products whereby their wealth could be increased and with this increased wealth they can continue to give Zakah and Sadaqat? Keeping in mind, not every working man/woman can start a tech business or some other activity whereby they can create products, they are looking to park their idle money with the intention of growth.

I also understand and know very well that currency trading can be very speculative and also full of risks as the markets behave very volatile especially these days. However, I do my homework and buy currencies after a lot of homework. Again, all transactions are done on non-margins, at spot, and non-interest basis. In other words, my way of trading currencies limits risks which is an inherited part of any buy/sell trades in any business. And, that I follow fatwas on permissibility of carrying out this form of business.

I remember, you mentioning to me in our small talk that there is need for Islamic Leasing companies; a project which needs to be established to serve our community. I would also think that even in Ijarah there is some risk involved and also some speculation even though the level of volatility of the speculation may be lower. Even in Islamic purchase of buying/selling of stocks there is some speculation involved. And, would we ban internet trading of stocks and currencies even if they are done according to Islamic principles (no shorting, no interest, etc.?)

Please tell me if what I am doing is right or wrong? Also, what else I can do to make trading more halal? Also, is it even worth thinking that this product should be offered to Islamic banking in a purified form? Is this another alternative product that should be established according to Islamic principles and offered by professional managers, who are good in their character and conduct, to Islamic institutions and investors?

Please let me know. Your prompt answer will be very much appreciated. I can also be reached at my telephone number listed below. Thank you for your time and your service. Wassalam Alaykum.

Sincerely,

Minhaj

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Minhaj

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

While any single transaction of trade on the internet or any other means is permissible, of course within the known conditions, speculation of any item is not permissible. Hence, if it is realized that a form of trade has become purely speculative we go for its prohibition. This is what happens in currency trading. Trading currency is permissible if it is spot and with full payment. But internet trading has become only a speculative practice. I believe it is then prohibited. I see currency trading as a service to those who trade real goods and services across

borders and therefore they always need to buy (and have to sell) foreign currency, I do not see it as a trade of its own except for those who facilitate access of importers and exporters. Any other practices is irrelevant and should be contained to minimum.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Dear Br. Dr. Monzer Kahf Assalam Alaykum: Thank you for your reply. However, your answer on one hand leaves room for currency trading via internet permissible but then it also prohibits it. What I understood from your answer is that if currency trading is done for the purpose of trade itself then it should be prohibited (or minimized) while if it is done as part of export and imports of goods then it is permissible. Tell me if I understood it differently.

The real issue is "speculation". If currency trading is based on speculation then it should be prohibited. I understood this premises in general, and from your answer as well.

I believe that the way I trade currencies is not based on speculation but based on economic facts. I look at the fundamental data: like the unemployment and inflation rates, GDP, Industrial Orders, Consumer surveys, and 26 other data, etc. I have done my best to take the element of speculation out. However, we all would also admit that in current economic situations you could not 100% eliminate speculation from any trade whether it be buying of stocks or real estate or commodities. For example: Buying of gold is to safeguard against inflation which we are already witnessing and will witness it even more. As our government would have to pay back trillions it has borrowed, I do foresee more than 10% inflation within a few years. Gold prices may be around \$2000 per ounce as the real value of the dollar will be less. Gold, like oil, is priced in the market against dollars and not euros or pounds. If gold is not purchased in advance to hedge against future inflation, the real value of goods will be much more expensive. We have seen this case in Brazil about 20 years ago and now in Zimbabwe, Pakistan, and some other countries. I have seen with my own eyes how people are not able to afford living as food is more expensive while salaries don't catch up with the inflation rates.

Another example is the parity of currencies. It is a common known fact among economists, traders, importers/exporters that Euro is expensive in its real value. A pencil which costs, let's say, \$0.50 in USA costs \$0.58 in Europe because of expensiveness of Euro. Companies who trade with European countries face the issue of currency gain or loss all the time. John Deere lost in sales of equipment but had hedged against Euro so it made a profit as when the receivables were converted from Euro to Dollars. Chinese companies and the government is face huge losses because of weakness of dollar. If some form of parity is not there, savings from hard work of population of many exporting countries would become worthless as their savings will be worth less. Currency trading tries to bring some parity by buying/selling process. I believe if there was no trading of currencies, Euro would be still worth \$1.60 and not \$1.20 (its real parity value). Yes, sometimes speculation in stock markets will fluctuate currencies accordingly. However, this correlation is also weaker now. Currency prices are more and more based on the fundamental factors of various countries. Euro has come down from its high price of \$1.60 (last summer) to around \$1.30 because of weakness of the economies of the euro zone countries. As these countries face more political and economic challenges, Euro may come back to its real parity value of \$1.20 by the end of June. However, if there was no currency trading, the values will be set up by banks and it will not be a true reflection of the economic

fundamentals.

Understanding how the economics work today, I personally believe that currencies are reflection of economic strength of certain countries. I do understand that there is some speculation involved as some major institutions try to interject their biases by try to give direction as to which way the currency prices should go. However, more and more this practicing is not having affect as it used to in the past. The volume of currency transactions in trillions have made these speculative interjections mute. George Soros could not break the bank of England again. Currency speculators cannot create 97-98 crisis of South East Asia anymore. Simply the volume has increased and no single entity can control its flow any more. It does not mean they don't try to. But then it is true of stock markets too. Rumors are often part of selling/buying stocks.

I look at the fundamental economic facts of various countries and buy and sell based on these factors. I do spot trading, on non-margin basis, with Duetche Bank where I already have my money deposited with them. I get a report on what I have sold and bought instantly. I pay an extra commission to them for doing spot trades with immediate settlements. I am buying from the bank and selling it back to the bank under a contract. I do not trade through a broker. Therefore, I am trading using real money and not some borrowed money on interest.

Knowing how I trade and knowing that I am not trading based on speculations but based on economic fundamentals of various countries, is it still not permissible for me to trade? Please let me know.

Also, if it is not permissible to trade in the way I do it, then what other ways it will be permissible? Yes, import/exports is one avenue and this service could be provided to importers/exporters in the Muslim world. I think it can be a service of immense value to the Muslim countries who are dependent on their revenues from imports/exports. Kuwait depegged from dollar but still many oil producing countries sell oil in dollars. Saudi Arabia lost billions because of lack of knowledge of valuing their oil revenues in real parity of currencies.

Dear Br. Monzer! I do see a value. Yes, I understand the premises of speculation and I don't trade based on speculations but economic fundamentals. And, I do it within the confinements. Is it still not permissible for me to trade and also gradually build this product whereby it can be a service to our people? If we don't do it as an alternative then Islamic banking alternative would not have happened. Shall we not safe guard ourselves against speculators by knowing what they do and to offer an alternative? I see my role in this capacity.

Lastly, I don't think this is a simple case of someone just trading currencies on the Internet but a case of where someone is trying to build a halal product to offer to the Muslim world to safe guard ourselves and by providing an alternative vehicle of wealth maintenance, if not wealth growth. I am not buying real estate because of speculations but buying with the intention of collecting rent and also when I sell, hopefully, I have made some money in the appreciation of the property. I trade currencies on this principle. Is this speculative? I don't think so. If I am wrong then I do stand corrected.

I look forward to your answer and further elaboration. Wassalam Alaykum.

Sincerely,

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Minhaj

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I think we have different meaning of speculation. For us in Islamic finance speculation is when you buy it as you said based on all these factors but simply because you are not buying it to serve the export and import. Your buying and selling is not a part of the service of real production and exchange it is purely financial, like any other person who deal purely financial. What we mean by non-speculative businesses is when you go real in the market producing rice and cotton or serving those who produce it. You are assigning your resources to play currency not to provide service with your trade. This is what we mean by speculation. Period.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Minhaj

Dear Br. Dr. Monzer Kahf Assalam Alaykum: Thank you for your reply. I appreciate it very much. I am still not sure. Is selling/buying of currencies for financial gains completely haram? Is it haram or discouraged? Is it discouraged or permissible as some scholars have said.

I hear conflicting opinions. On one hand, it is permissible if done within the frame work like I mentioned and the way I am doing. On the other hand, may be currencies are being traded like commodities and may be they are not commodities, so they should not be traded.

We have two conflicting opinions. Even though I am trading currencies but I like to be on the side of the caution. If it is purely speculative then I would refrain from it. But I am still not fully convinced that trading of currencies is purely speculative. If it is so they buying/selling of gold should also be prohibited. Since people don't carry physical inventory of gold these days, they buy gold ETFs. and they use bills. Bills are now more and more replaced by digital numbers. Fed has \$3.2 trillion in circulation out of which only \$1 trillion is in actual paper bills while the rest is all digital money.

Trading of currencies associated with import and export of goods only addresses only one segment of the trading and economics. It does not address issues of parity of values. Companies selling and buying goods on international basis loss or gain money based on such non-parities. This is a major issue. Currency trading provides that opportunity to balance the parity imbalances. All transactions are done digitally with no physical transfer of bills.

I am not in favor of blatant currency trades based on purely financial gains through speculations. That's why I am following a method that I thought so far is halal. And, I also do believe that this business should be done only by a few and not by general population. Even those few should be very professionals and people of good morals and conducts.

To leave Muslim economies on the whims of people at wall street or in the hands of pure speculators will be a disaster. We are witnessing that right now. We also witnessed what currency speculators did to the economies of countries like Malaysia and Indonesia back in 1998. We must have another system whereby we can trade currencies and also safeguard them against pure speculators.

As for me, after reading you, I may have to go back to Duetche Bank or create another mechanism whereby this service is associated with some actual goods like gold. Would that meet the requirements?

What other ways I should modify/change to make currency trader more permissible? I need your help in figuring out a solution. Again, if we can figure out a system that is halal and make

this trade more halal then it can be used to serve our Ummah, InShaAllah.
I look forward to your assistance in this important matter. Wassalam Alaykum
Sincerely,
Minhaj

My Answer:

Sorry, matter is settled

Monzer

From: mohamed

Sent: Sunday, April 26, 2009

Question: currency trading based on Forex market

Dear Dr. Monzer,

Assalam Alaykum wa Rahmatullah wa Barakatuh,

I want to know whether the Currency trading (based on Forex Market) is permissible in Islam? My Question will be cleared by the following example: I buy 1 Euro for 2\$ with an intention to sell the Euro when its value becomes 3\$. But a point to be noted, in this trade I have an equal chance/probability of losing money when the dollar exchange value goes below the purchased rate. I am ready to face the situation. Following are some conditions 1)All these transactions are done through internet. 2)If I buy Euro, the conversion rate is in dollars and it will immediately deducted from my account. 3)My account is held by financial institution that is supervising all the transactions. 4)When I Sell my purchased Euro in future, on profit or loss, then my profit is added or my loss is deducted from my account balance, all these happen immediately on selling of Euro. 5) I buy the Euro today and sell it tomorrow or afterwards.

Jazakum Allah Khairan for your constant help. Yours,

Muhammad

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Faisal

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I suggest that you should do some homework to understand the whole issue with all its complications and aspects. Please try to look into my website www.kahf.net under the title of Fatawa/ Sarf or money exchange or Forex.

The Prophet, pbuh, made two conditions for any currency trading in an extremely authentic Saying reported by both Bukhari and Muslim. These two conditions are: 1) the two currencies of the trade must be handed over at the time of the contract and the full amount of both must be subject to handing over. These two conditions are never fulfilled in internet trading of currencies even those platform that advertise that they are Shari'ah compliant. They may not charge interest but they do not fulfill these conditions. Besides, trading currencies has an objective of making foreign currencies available for those who need it. Is this the objective of internet trading of currencies? Internet trading of currencies is based on someone loses and someone gain, it is not a trade to provide service, why should such useless game be permitted? It is purely speculative!

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam
Prof. Dr. Monzer Kahf

From: Aibek

Sent: Monday, July 20, 2009

Question: about Islamic monetary operations instruments.

Dear Mr. Monzer Kahf,

Hope you are doing well, and your flight from Bishkek was enjoyable. I also hope that you liked our country. As you remember, we had a conversation about Islamic monetary operations instruments and you suggested that liquidity absorbing instruments based on Qard-Hasan and Al-Wadi'ah agreements are not advisable to use. I would be very grateful to you if you could provide me with more detailed information on why it is not advisable to use these instruments. And also I would be very grateful to you if you could provide me with some information about Islamic monetary operations instruments that are in standard practice. Thank you in advance. Looking forward to hearing from you soon.

Faithfully yours,

Aibek

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Aibek

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

1) Qard Hassan

Please notice the concept of Qard Hassan in the Islamic law. It is an act of charity to help a person with no financial or material benefit to the lender. It is a loan that is only rewarded by Allah. This is because a loan creates a debt. What is a debt? it is an interpersonal relation that is an abstract asset to one party and a liability to the other party. A debt Cannot grow or create an increase because, unlike physical assets, it does not produce any utility. A debt is not like a bicycle that produces the service of riding, or a house that produces the service of living in. This is why a debt earns no income or return or interest. In other words, there is economic justification for interest because it is paid by one party for no utility given to him in exchange.

The loan in Shari'ah is defined as an act to help others with no element of material or financial benefit to the giver. Any benefit is thus interest, even when it is hidden under any other name. For example, the Prophet, Peace and Prayers be upon Him, prohibited making a sale and a loan together because the price of the sale may hide an interest of a loan, he also prohibited selling at an option of two prices (one cash and one deferred) because once a sale is done it creates a debt of the cash amount then the difference between the two prices is interest on this debt.

Qard Hassan therefore cannot be issued with any condition, explicit or implicit, of giving an addition to the provider of the Qard, any such giving is prohibited as being plain interest regardless of names one may give to it. There is a well-known rule in Shari'ah that is acknowledged unanimously as derived from the verses of the Qur'an and the Sayings of the Prophet. this rules proclaims: "a loan that brings any benefit (material or financial) it is then a Riba". Therefore any promise to give any increase on the Qard Hassan transforms it into a Riba. Please notice that Riba may be fixed or variable, paid in advance or after, all these do not matter in Riba, what matter is: it is an increment or increase over a debt.

Because of this clear and strong prohibition of interest under any name or form, the Sukuk principles were developed. The basic foundation of Sukuk is that they represent a real asset that is used productively. Sukuk can give fixed return when they represent properties (like buildings, an airport, ten aircrafts, a dam, a power plant, etc.) that is rented to the user of the property. the Sukuk holder earns a fixed periodical rent. Sukuk may also be issued on variable return when they represent a part of an profit generated project (like a partial ownership of a company or an airlines or farm or any other project).

2) Wadi'ah is a concept that fits safety deposits in banks. the bank cannot use it and has to leave it as it is in the box that can only be open by two keys together.

3) Tools of monetary policy in Islamic system.

Of course you need to notice that these tools are developed as needed and as the circumstances may be. For addressing and controlling the amount of credit banks may extend we have: changes in the rate of mark up in Murabahah, rent in leasing, maximum profit in Mudarabah and Sharikah. we also have changes in reserve and liquidity requirements and changes in the margin of seriousness (percentage of the price contributed by the customer in any finance transaction) that banks are required to obtain from customers. We also have the sectorial or general credit ceilings.

For changing liquidity we have open market operation that must use Sukuk. Of course this requires the issuance of Sukuk of different kinds, so that the central bank can use them in buying and selling for managing liquidity. You should realize that you still can manage liquidity through other means of monetary policy.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Dear Mr. Monzer Kahf,

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Thank you indeed for your answer. It is very valuable for us. So Qard Hassan cannot be used as monetary operations instrument, but still I have a question concerning Wadi'ah Yad Dhamanah. I studied Malaysian Islamic Monetary Instruments and I found out that in Malaysia they widely use Wadi'ah agreement as a liquidity absorbing instrument. I would be very grateful to you if you could give your point of view on this.

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Faithfully yours,

Aibek

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Aibek

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

1) Although I know the answer very well, I wanted you to be comfortable with the references. Please look at the definition of Wadi'ah in the first box. Its reference is from Bank Islam Malaysia. A Wadi'ah suits safety box concept. But whence the trustee betrays the contract it

becomes a guarantor of the principal. It is of course inappropriate to establish a system on contract violations! Besides, if we look in Fiqh literature we'll find the meaning of "it becomes guaranteed", it is it becomes a loan on the trustee and therefore guaranteed. This is in contract of when the trustee does not betray the contract (by using the Wadi'ah) and keep it in a safe place only, then the trustee is not responsible because it is Amanah with it. THE RULE IS: IN A LOAN (QARD HASSAN) ANY CONTRACTUAL GIVING IS INTEREST AND ANY GIVING THAT HAS THE MEANING OF CONTRACTUAL (BECAUSE IT BECOMES USUAL OR CUSTOMARY OR IMPLICITLY REQUIRED) IS CONSIDERED CONTRACTUAL.

Wadi'ah وديعة

Safe custody. Originally, safe custody is referred to as Wadi'ah yad Amanah, i.e. trustee custody, which according to Shari'ah, the trustee custodian has the duty to safeguard the property held in trust.

Wadi'ah yad Amanah changes to Wadi'ah yad dhamanah (guaranteed custody) when the trustee custodian violates the conditions to safeguard the property. He (the custodian) then has to guarantee the property.

http://www.bankislam.com.my/Your_Guideline_to_Islamic_Financial_Terminologies.aspx#67

2) The quotation below is from ISRA the Shari'ah organ of the central bank of Malaysia. This is the concept we applied on saving accounts in our discussion with the your colleagues in the NBKR because these savings are normally guaranteed. We combined the concept of guarantee and Mudarabah so that we give them a share of profit on a smaller balance and we keep a high liquidity proportion of the account that is guaranteed. But please notice in the definition below that once you consider this account eligible for profit distribution it cease of being guaranteed. This is because you cannot combine giving a return with the guarantee since any such giving is tagged INTEREST.

Wadi'ah And Mudarabah Current Account

The Islamic banking institutions have proposed to offer current account based on Wadi'ah yad dhamanah, together with Mudarabah. Under these principles, the bank acts as a trustee and entrepreneur while the customer acts as a depositor and capital provider respectively. Both parties would agree on a ratio of profit-sharing, which must be disclosed and agreed upon by both parties at the time of opening the account. The guarantee on the deposit will only be given if the account balance does not satisfy the conditions of profit sharing. However, if the account balance comply with the conditions of profit sharing, the customers will have to bear all the risks of financial losses (no guarantees on deposit), since the contract has now changed to Mudarabah. The issue is whether the current account mechanism of combining two types of contracts, i.e. Wadi'ah and Mudarabah is permissible in the Shari'ah.

Resolution:

The Council, in its 5th meeting, held on 30th April 1998 / 3rd Muharram 1419, resolved that current account products based on the combination of two contracts, i.e. Wadi'ah and Mudarabah is permissible in the Shari'ah.

Issuer: Shari'ah Advisory Council, Central Bank of Malaysia.

Source:

http://www.isra.my/index.php?option=com_content&view=category&layout=blog&id=4&Itemid=18&limitstart=24

3) Lastly notice below that this Wadi'ah that is used by the central bank of Malaysia violates the above rules of Shari'ah because it is issued with an implicit promise and continuous practice of giving return on them. You cannot give dividends on a guaranteed Wadi'ah and once you

give it becomes usual and customary, besides when issued there is an implicit contract that a gift is going to be given for it. ONCE OF THESE IDEAS ALONE MAKES IT INTEREST!

Wadi'ah Acceptance, Wadi'ah Acceptance, is a transaction between BNM and the Islamic banking institutions. It refers to a mechanism whereby the Islamic banking institutions placed their surplus fund with BNM based on the concept of Al- Wadi'ah. Under this concept, the acceptor of funds is viewed as the custodian for the funds and there is no obligation on the part of the custodian to pay any return on the account. However, if there is any dividend paid by the custodian, is perceived as 'Hiba' (gift). The Wadi'ah Acceptance facilitates BNM's liquidity management operation as it gives flexibility for BNM to declare dividend without having to invest the funds received.

Under the liquidity management operation, BNM uses the Wadi'ah Acceptance to absorb excess liquidity from the IIMM by accepting overnight money or fixed tenure Wadi'ah.

Source: <http://iimm.bnm.gov.my/index.php?ch=4&pg=4#2>

4) For the use of NBKR, all you have is a part of a bank that gives Islamic finance, there is no problem that requires use of liquidity absorbance mechanisms, you can only use credit limitation methodologies. Once you have many Islamic finance entities and a functional Islamic Inter-institutional Money Market (the IIMM in the above quotation) there are tools that can be used better than Wadi'ah such as Inter-Islamic banks deposit certificates that can be used for overnight and for longer periods and Sukuk and others.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Mehmet

Sent: Thursday,

September 03, 2009

Question: About Fx trading

Assalam Alaykum ve Rahmatullah

Dr Monzer

I have question about fx trading. Can you please give me an answer about the question below ..

Thanks .. CezakAllah hayran.

Is online Forex trading allowed ? The procedure of a normal interest based trade is: you buy one currency against dollar (electronically through a broker)for instance buy pound and sell dollar. Your account is in dollars. you deposit \$500 and get to trade on a margin. Each trade is for 100000 currency units- in our case we buy 100000 pounds for \$500 margin. You don't get a physical delivery but you are liable for the payment and will enjoy all the risks and benefits. you realize your profit or loss by selling back the pounds you bought. If the buy and sell takes place the same day, you don't get charged any interest. if you don't close your position, every day you are charged \$5 per 100,000 currency units. To normal customers these trades have no commission or charges. Now for Muslim investors, what the companies do, instead of charging daily interest, they charge a \$20 per trade(buy and sell) as a commission. This commission allows the investor to have a grace period of 3 days for closing the trade instead of 1 day in the normal scenario. BUT after the 3rd day, every day the commission is charged for all open positions. 1) Please tell, whether or not the procedure for Muslim investor devised by these companies is halal ? 2)Can we only day trade (buying and selling the same day) so no interest is

involved. 3) what does Islam says about trading Forex on margin ? in what circumstance would a Muslim allowed to perform margin-based trade ? Please reply ASAP as this industry is attracting people more than the stock markets- Jazakallah

For information you can visit the website:

and they also have a live help feature available 24/7.

Also is hedging in currencies permissible in Islam?, if the broker provides facility to go long and short in the same currency?

I would like to add something about margin in Forex, The margin deposit is not a down payment on a purchase of equity, as many perceive margins to be in the stock markets. Rather, the margin is a performance bond, or good faith deposit, to ensure against trading losses. This prevents clients' accounts from falling into a negative balance, even in a highly volatile, fast moving market.

Mehmet

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Mehmet

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Trading currency on the internet is not permissible under all platforms. The essential reason is the lack of reality in the trades. As you said you place a deposit as a form of security then you trade in pairs, buy a currency and sell another, your deposit is not affected! Besides, currencies are not a subject of pure speculation and their trading on internet is purely speculative. Additionally all margin and futures in currencies are in violation of the principle of immediate full delivery that is required for currency exchange.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Oseni

Sent: Monday, February 01, 2010

Question: inquiry: on Forex trading

Salam Alaykum,

May the peace and blessing of almighty Allah be with you. I was browsing the net and I saw some of your write up on Forex trading but after going through I

discovered that you did not state whether it is permissible or not. I will be happy if you can send me a mail stating whether it is permitted or not. Thanks. May Almighty Allah continue to increase is blessing on you and your household. Regards

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Oseni

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

My opinion about all internet currency trading is that it is not permissible for two main reasons

each one of them is sufficient to make it not permissible: 1) the contract on micro level does not fulfill the requirement of currency transactions as stated in the Hadith of the Riba in sale that mentions six items of which currencies come first. Internet transactions are done in pairs and there is no real buy with delivery and no real sell with delivery, only pair and whatever you have as deposit in only an escrow money; 2) the speculative nature of the currency transactions on the internet that defeats both the objective of Sarf contract (currency trade contract) and the objective of trade itself. Trade requires and implies that one provide a service not simply jump on price changes. I stand against all kind of speculation and have a limit that is relatively clear in my mind between trade and speculation as mentioned above. This distinction can be very obvious in certain contracts and behaviors such as currency internet trading, day trading in currencies, commodities and equities, contracts for the difference, betting on currency changes, futures of commodities, trading indexes and the like.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Saqib

Sent: Wednesday, March 17, 2010

Question: Internet fx trading

Assaalaamu Alaykum

Dr Monzer

May Allah reward you for your insightful answers. I've read many of your answers in regard to the question of fx trading via the internet. My question is: what would constitute an instant exchange via the Internet when trading? Is it, instant accreditation into the the traders account at the moment of pressing the buy or sell button?

Thank you for your time and effort.

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Saqib

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Please notice that currency internet trading has several problems:

It is done in pairs not in a way of sale and purchase. You put a deposit in Dollar, then trade Yen for Euro with debit and credit, all in reality fake because you do not have yen or euro. Your balance in Dollar is for security as excrow.

Currencies are not subject of trading but subject of exchange for real payment. Should not be traded because they do not produce utility themselves. The money exchange function is a function to make foreign currencies available for those who need them it is not a way of creating wealth. It is a false wealth

Whatever currencies are traded are simply fake because contracts are always in pairs created for trading and the debit and credit offset each other anyway, no reality to it. Forex trading on the internet is mere speculation and zero sum transaction that create no benefit to anybody

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam
Prof. Dr. Monzer Kahf

From: Muzammil
Sent: Thursday, October 07, 2010

Question: Forex trading. Please help.

Assalam Alaykum,

I am really interested in Forex trading because of the quick money it offers. However somewhere in my heart my conscience says it seems a bit dodgy. Can you please give me your point of view with examples form the hadith and Shari'ah.

I got your mail address from a forum that I searched for...

On the plus side, it does seem that we invest our hard-earned money and also our time and effort learning about the practices and procedures. But is this enough investment from our side for such mighty returns?

Please advise me. May Allah reward you for your efforts

Thank you

Muzammil

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Muzammil

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

You said the answer "a quick money". But it is also a quick loss. The point is what value do you create by Forex? If there is no value creation what you may earn is simply the loss of some other person. This is the nature of what is prohibited in Shari'ah. It is a form of gambling on the internet or in a big casino.

Besides, in Forex, there is no real possession and no real ownership of the trades. It always is done on two sides together: you buy Yen for Euros, or Rial for Dollars, and you have your account in Swiss Franc. It is not a real trade.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: waqqas
Sent: Friday, January 14, 2011

Question: Islamic Forex Account

Salam,

please let me know if Islamic Forex account on tadawulfx.com Shari'ah compliant?

<http://www.tadawulfx.com/public/trading-accounts/islamic-forex-account.html>

JazakAllah Khair.

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Waqqas

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

All trading of currencies on the internet platforms are speculative and not permissible in my view. Even if one takes a liberal view on speculation (which I consider it extremely incorrect) internet currency trading remains a zero sum game in which your profit is the loss of someone else and vice versa. Further on a micro level internet currency trading does not fulfill the required condition of immediate delivery of both currencies sold and purchased. All Fatawa published on the websites of internet currency trading forums

Are either changed that they do not represent the names on them or given with twisted interpretation without giving all the info to the Scholar.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Mohammad

Sent: Tuesday, April 19, 2011

Question: Gold Investing

Assalam Alaykum Sh. Monzer;

From my knowledge of Muamalat, I know that money is a Medium of Exchange and has no value in and itself. Hence "Sarf trading" or money trading in itself should not be used as a method of producing income or producing more money.

This is an inaccurate description of the matter. Money is a medium exchange but we may use materials that have intrinsic value as money. This was the case at the time of the Prophet, pbuh and he allowed the Sarf contract which is the exchange of currencies. But because of the characteristics of money, the Prophet, pbuh, made certain additional conditions on exchanging money.

Of course exchanging currencies, one for the other is a provision of a trading service that deserves to be compensated. Speculating on all goods is not a behavior that Shari'ah accepts. Because of the extra conditions of exchanging currencies speculation of them is much more unacceptable.

Now, Islamically, Gold and Silver are considered currencies. And so exchanging paper currency for gold or silver with an intent to profit, or invest ... would fall under the above paradigm?

The way I am looking at is that:

1. Gold/Silver are currencies
2. Gold/Silver are also assets including money, such as platinum and other precious metals

In the context of #2, how would we apply the principle of "not to make money from exchanging currencies" ...

The issue is not in making profit from exchanging currencies because this is perfectly allowed provided it is attached to the service provision. The matter is in speculation. All purely speculative transactions on money as well as other things including platinum and real estate are prohibited because they do not create value (provide service) but merely transfer wealth. The speculative nature of transactions may appear in the structure, as in day trading or in purely speculative instruments like indexes, but it may be also hidden in the heart of the trader.

Jazaka ALLAH Khair for your input. Was-salaam

Mohammad

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Rauf

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Please see my answer below your questions:

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Asim

Sent: Monday, July 18, 2011

Question: currency trading and options

From: Asim

salaamuaalykum Dr. Monzer,

I am a brother from Denver, Colorado. I have read many of your >articles/works related to the impermissible ruling of online Forex trading. Unfortunately I have become specialized and become very good at online

Forex trading before I learned it's status of haram. InShaAllah I will not be >doing anymore, but I just want to ensure these words below belong to you and is your view?

Since I am still good at trading based on the charts, InShaAllah I am trying to find a way I can trade them with a deliverable good as well as no margin or leverage.

My Answer:

The Islamic rules for trading currencies: There must be full delivery of the full amount of both currencies at the time of the sale contracts.

This means 1) No margin is permissible. 2) No leverage is permissible. 3) No forward is permissible. It also means that only spot (like when you go to a local money exchanger or office of a local bank and exchange cash for cash) is permissible. It can be done electronically if the full amount of both currencies is debited/credited at the exact same time of the >contract.

What these internet companies usually do does not fulfill these conditions!

Wa Allah A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Asim

Ws wr wb

Also brother.. what can I do with my trading skills? I think equity trading is halal. But I have doubts about short selling as well as buying on leverage. There is 1 to 4 leverage in equity.

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Asim

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I believe speculation is not permissible in Shari'ah whether it is in currencies or equities. If you intend to trade as a speculator in equities I wouldn't recommend it. If you intend to buy shares because you believe that these companies provide good services and help the human race, it is ok to buy these shares and own them and if you need liquidity to sell them too. I think the charts system of trading is purely speculative and does not in fact bring and benefit to humanity, what you gain is typically what others lose.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Asim

Salaamualaykum.. indeed akhee.. differences in our Ummah are rahma..

My Answer:

Dear Br. ,

If you mean by sending the web that there are Fatawa that give other opinions, I am fully aware of it and I know that most Shari'ah scholars who did not study finance in detail give many Fatawa that are not accurate because of their lack of knowledge in the field. However, you asked me and I gave you my opinion

Prof. Dr. Monzer Kahf

From: Asim

AA Dr. Monzer,

Is every zero-sum game a form of Maysir/Gharar/gambling in Shari'ah?

For example, if I currency traded with 1:1 (no leverage), and the exchange was hand to hand, but it was still zero-sum, would this still be impermissible?

Why is it zero-sum when part of the players in the Forex market make up corporations who's regular line of business is large currency transactions in which they don't intend to make any profit (i.e they are just required to change out billions of euros for dollars or vice versa).. while the retail trader may benefit from that.. ?

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Asim

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Forex trading is a form of gambling whether by big corporation or small traders. Currency exchange and transfer is a useful transaction when it is related to real trade and payments/settlements at the international level. But that is different than trading currency on the internet or what is called investment in currency trading. Speculation is very close to gambling and that what makes zero sum trades only harmful not real trade.

If you have any question related or not related be very clear and read your question twice before you email it.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Asim

ws Dr. Monzer,

My only concern with labeling Forex as a zero-sum game is that it can produce a win-win situation, which contradicts its potential status as a zero-sum only game. The structure is indeed zero-sum, but each contract may not end as zero-sum at the end of the game. I'm afraid a game isn't truly zero-sum unless the contract must and always end in a zero-sum result. I.e. win-lose or no other option.

There are win-win capabilities in Forex, as well as win-lose, as well as lose-lose. I don't see how that's any different than equity trading.

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Asim

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

What you need to look at is the contractual relation.

Every Forex has twin contracts buy and sell. For instance you buy rial and sell Dollar. Each of these two contracts has another party that matches it. There a seller of rial and a buyer of dollar. Take each contract alone because it is in fact independent and separate from the other. If the price goes up one win and the other loses. If the price goes down the other way around. Each contract is only a zero sum contract between its two parties. It cannot be otherwise. This is regardless of whether it is compensated by results of the other contract because each contract is an independent entity and has its own parties (mostly are not same but by a rare random chance they may be the same). Besides what is the benefit of this game, does it produce any value to the society? Where is the outcome? The argument that speculation itself is beneficial is outdated by the integration of markets at international level.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Asim

Thank you for your reply.

Let us forget about Forex for a moment.

My last question for you is... For a contract to be considered gambling doesn't it has to have 2 elements? - 1 is high-level Gharar and the other is zero-sum gains (Maysir).

Is this correct?

Because not all Gharar is forbidden, and not all zero-sum is forbidden.

My Answer:

No, one of them is sufficient to make not permissible

Dear Dr. Kahf

I've done significant research before emailing you by the way Dr. Monzer. The internet is an extremely poor resource for Islamic knowledge. I couldn't find anything on options except for "OPTION HARAM" with no explanations.

salaamualaykum Dr. Monzer

can you tell me a little bit about options from your perspective? options on equity specifically, not any other type of options. Calls/Puts.

Btw, I'm now convinced about the impermissible nature of Forex, it took a while, but at the end of the day I realized nothing real was ever taking place.

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Asim

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Options on equity are like this: say company A has a million shares in the market and the share price is 100. Increases or declines in the market evaluation of this company (for any reason) make owners of this company richer or poorer because the property they own has now more or less value.

But there is another 10 million 90 days call options and 5 million put options on this company issued for 2 dollars each their prices will also increase (decrease). Tell me please why do these people gain or lose? They don't own the company! Aren't then purely parasitic? Do they have any moral justification to gain or lose? Is that a real business?

Options lack owning any real property, they hang on the price changes of the property of others. They are not real, purely fake and purely speculative tool exactly just like any gambling tool. This is why they are Haram.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Mohamed

Sent: Thursday, August 11, 2011

Question: Online trading physical gold

From: Mohamed

Salam Alaykum,

My question seems to have been dealt with but the URL is not accessible anymore (http://www.islamonline.net/servlet/Satellite?pagename=IslamOnline-English-Ask_Scholar/FatwaE/FatwaE&cid=1119503546706)

I have a question concerning the online trading of precious metals. This site allows you to buy physical metal on the spot and it will be held on your name. They charge a commission for selling/buying/storing the metals. When you want to sell metals you can offer your metal against a price and other can then bid on your offer.

I have copied and pasted some information from their FAQ:

Ownership

Ownership of your gold in Bullion Vault is outright. Bullion Vault gold is not subject to a trust deed, and it is not anyone's liability. It is - quite simply - your outright property from the instant

you buy it to the instant you sell it.

In accepting the Bullion Vault Terms of Business you have engaged Bullion Vault as a custodian of your gold. Bullion Vault has subcontracted the physical custody of your bullion to Via Mat. Bullion Vault has retained responsibility for administration and record keeping, which is performed through the BullionVault.com website.

You can see the Via Mat bar lists on the Bullion Vault website, and reconcile them to the Bullion Vault customer-by-customer records. You should also know that in its agreement with Bullion Vault Via Mat fully acknowledges that the gold shall remain the property of Bullion Vault clients at all times.

These are unusually strong property rights for you because there is no intermediation via trusts or company balance sheets. The gold is your personal property and is treated under English law as a bailment.

Physical delivery

Bullion Vault is based on professional market, vaulted gold and silver, held in big bar form through an internet account. You can sell on-line and be paid direct to your bank account, which is efficient and low risk and helps you own gold at very low cost.

But of course investors always need emergency access to the physical gold, even though there are some extra costs.

The standard cost is 2.5% for withdrawing whole gold bars, and there is a 5% surcharge for withdrawals below 400 oz. The fee for silver (whole bars only) is 10%.

Bullion Vault gold and silver are both VAT (sales tax) free - for as long as they are held in accredited vaults. Upon withdrawal gold remains exempt, but 20% VAT then applies on silver.

Is this trade permissible according to Shari'ah as I have understood from searching on the net, spot trading is permissible provided it has a maximum delivery delay of three days?

Taking delivery of the metals would exceed this three days (at least I expect it to be >3 days) besides the fact that I would prefer not to take delivery at all and leave them in the vault (security).

Jazaka Allah Khairan,

Mohamed

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Mohamed

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

As described below it seems to me that buying and selling of gold and silver in the way described is permissible. Taking delivery is performed through agency given in the transaction to the storage company, the Vault. Of course this is provided that no certificates but real gold and silver are been traded. I like to add however that I stand against speculation on metals, equities and other assets and consider its application in the contemporary financial markets definitely Haram. I wouldn't make an exception in this case. In other words, if this kind of trade is taken for speculation it becomes prohibited even if it fulfills the formalities of contracts. It is speculative when the purpose is continuous watching of prices and jumping on them to grab gains.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam
Prof. Dr. Monzer Kahf

From: Mohamed

Salam Alaykum,

Shukran jazilan, for your quick answer and your patience.

I still have my doubts about this trade because while you can technically collect the metals it is somewhat discouraged by the service. For instance, they only have 1000 oz. silver bars if I would buy 30 oz of silver I would physically own 30 oz of that 1000 oz bar and here lies the problem in my view. You cannot collect that designated 30 oz (on papers it is your physical property and you can trade it) you can only take delivery of whole bars (1000oz).

Is it not a requirement that you should be able to collect any amount (even 1 oz) even though you do not plan to collect it?

Jazaka Allah Khairan,

Mohamed

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Mohamed

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I don't see this a problem as long as the agent is common to all owners, what is wrong in combining the properties of different principals. And as you said earlier, it can be divided at extra cost.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Bismillah al Rahman al Rahim,

Once again thank you for your patience and guidance. I am not sure if I understand this correctly but, you can only sell your part of a physical bar but you cannot collect part of a bar collecting physical gold/silver is only possible if you own a whole bar which would be too expensive in my case.

In my situation I would not be able to claim the gold/silver physically (because of small quantities), it would be stored as my property and I could sell it to others but I could not collect it.

Sorry, if I am being too persistent but I just want to be sure about matters like this.

Wa Salamo Alaykum,

Mohamed

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Mohamed

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

It is not a matter of persistence but rather knowing the meaning of the language!. If your agent receives it, it is on your behalf and instead of you he receives it. there no way of talking about collection or not collection, it is already possessed by you and you can sell it through your agent too. That is it.

If the business of the company does not accommodate small trades then you either make large trades or accept the additional condition of the agent that he will not divide a large bar, so that you own it in common with other owners who like you gave agency to the storage company. It is not really a matter of collection but of appointing an agent to undertake certain functions on your behalf.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Imran

Sent: Wednesday, September 07, 2011

Question: Trading currencies, indices and commodities on line

Dear Dr. Monzer Kahf

I am a student entering college in Canada in a weeks' time. As a young person, I have many hobbies, and one of the hobbies I have is trading currencies, commodities, and indices.

Currently, I have no job, and I expect to have a part time job soon InShaAllah. I have so far lost \$ 400 in trading. However, I am recovering that money by what I trade now, and so far, it has been good. I do high risk trading mostly in case of currency, and seldom medium risk.

This is what I believe. As long as the trading I do does not have usurious dealings, I think it is halal. I would like your advice on this matter as people come across telling me it is haram, and haram I believe is a very strong term to use regarding something.

I look forward to your reply. Thanking you in anticipation.

Sincerely

Imran

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Imran

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

The three things, internet currencies, future commodities and indices, you do are not permissible in Shari'ah. This is a quick answer go on www.onislam.net and www.kahf.net to find more details. In addition to Riba there is the issue of realism real things can be trade and for real purposes not for gambling like hits on internet and its likes.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Esam , OnIslam.net

Sent: Tuesday, September 20, 2011

Could you kindly reply to the following question?

Question: Is It Halal to Purchase Foreign Currency?

As-salaam `Alaykum. Is it allowable to purchase a foreign currency and keep it until the value increases, then when the value has strengthened, sell the currency to make a profit? Jazakum Allah Khayran.

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu `ala Sayyidina Muhammad, wa `ala Aalihi wa Sahbihi Ajma'in

Dear Br. Esam

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

As described in the question, this is permissible. You should know that buying and selling currencies requires that the full quantity of what you give and what you receive must be handed to the other party at the time of contract.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Ali

Sent: Sunday, October 09, 2011

Question: Is trading E-Gold online permit in Islam?

Dear Dr. Monzer Kahf,

Assalam o Alaykum,

These days e-gold or paper gold online trading is very popular. We can sell or buy gold online at actual gold rates without having physical delivery. There are some brokers in market who do not charge commission and do not charge interest on keeping gold positions overnight. They also offer funds leverage of 1:100 but still do not charge interest if we open Islamic account with them.

My questions are as follow:

- 1- Is it permissible in Islam to trade gold online without having physical delivery?
- 2- Is the profit taking from intraday gold trading halal in Islam?

Please reply as soon as you can since I cannot find answers for these queries anywhere. JAZAKA ALLAH Kheir.

Ali My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu `ala Sayyidina Muhammad, wa `ala Aalihi wa Sahbihi Ajma'in

Dear Br. Ali

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Trading gold, silver and currencies without physical delivery in full of both what you sell and what you buy at the moment of the contract is not permissible in Shari'ah because the Prophet, pbuh, said about gold and silver that it must be "hand to hand". Gold and silver were the currency of the time, all currencies today play same role therefore same applies to all currencies by analogy. This is known as a form of Riba because in another Saying the Prophet, pbuh, described a similar transaction as Riba.

Such a forbidden action should not be undertaken by Muslims. If it happened for any reason that a Muslim did that, any income from such a forbidden action should be distributed to Muslim charity with instruction to give it to poor and needy (not to use in a mosque for instance).

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: ABDEL

Sent: Friday, October 21, 2011

Question: what do you think about Islamic Forex broker

From: ABDEL

Salamoulikom

1- what do you think about Islamic Forex broker? is halal or haram?

this is 1 broker offer Forex halal: <http://www.etoro.com/why-etoro/islamic-account.aspx>

2- I want to know if I trade example the company apple (aapl) CFD shares it's halal or haram

Baraka Allah fik

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. ABDEL

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Trading currency on the internet by means of any and all Forex forum is not permissible because it does not fulfill the conditions of immediate delivery of what you buy and what you sell. It is only paper (or soft) creation of two accounts debit and credit. And also because it is purely speculative. Speculation is not permissible in Shari'ah. Calling it "trading" is misnomer purely.

Owning a share of Apple is permissible, speculation on anything, equity or currencies or commodity is not permissible. We must realize that trading provide services while speculation does not.

But CFD is not even buying shares. CFD is an imaging of buying and selling. It is definitely Haram for two very big reasons: 1) in CFD you do not buy or sell any share or any asset which may be owned, it is just a fake trade. And 2) it is only a speculative tool, it is not even of the nature of buying actually a share even if the intention is speculative.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: ABDEL

salamoulikom Dr Monzer

barakalafik for your information

I have a another question ..

it is haram or halal to do day trading
ex : I buy and sell apple in the same day many time
barakala fik

My Answer:

Bismillah al Rahman al Rahim
Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. ABDEL

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Day trading is by definition speculation activity. I believe it is Haram. There are people who think it is not.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Salamoialkom Dr Monzer

seriously I don t known what to do .. Forex haram.. CFD haram.. day trading Haram

is there any alternative way to make money halal ?? for me my priority is the halal way

I was hoping to invest 10 000\$ us in day trading

please give me some advice

barakala fik

My Answer:

All the businesses in the world are Halal, did you forget all that? If the market speculate does this mean speculation is a way of earning. Speculation has never been a way for investment. You want to invest, there are hundreds of thousands ways to invest.

Is CFD an investment? Is Forex and investment, is day trading an investment? Investment means a commitment to a project which you think is profitable, buying real assets, real equities. Investment does not mean gambling. In fact CFD is pure gambling nothing else and you want it to be investment! And speculation is also gambling not investment at all.

Monzer Kahf

From: Ziyaad

Sent: Thursday, September 16, 2012

Question: FOREX Trading

Assalam Alaykum I was interested in exploring investments in the trading of foreign currencies by buying and selling them e.g. US dollars, Canadian dollars etc. (FOREX). I want to find out if it is permissible in Islam or not. Thank you for any assistance.

Ziyaad

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Ziyaad

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Forex is not investment. It is speculation on prices of currencies that does not add any value to

the economy because what you gain is what someone else loses. It is a kind of what is called in economics "zero-sum transactions." Zero sum transactions are of the kind of gambling and I believe they are not permissible in Shari'ah.

Investment and trade must be in ways that create value by providing a service or adding to the ability/capacity to produce goods and services.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Idriss

Sent: Thursday, September 20, 2012

Question: Paper wealth

Salamu Alaykum wa Rahmatullah wa Barakatuh dr. Kahf,

I would like to ask you about the position of contemporary Muslim economists and scholars with regards to paper wealth? Maybe you could link me to a good article written on this subject.

Barak Allah feekoum,

Idriss

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Idriss

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

There is no paper wealth. There is paper money and even now electronic money.

There is also virtual wealth such as owning options in Western finance markets or owning futures.

Money is what people accept in their transactions and in savings, and measuring values of other things. It does not matter whether it is paper, pieces of animal hides small bags of salt, or sea shells.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Ahsan

Sent: Friday, October 19, 2012

Question: Queries about Gold and Islamic banks

Assalam o Alaykum

Dr. Kahf

I have a total of three questions for you.

1. Sometime back, I had a disagreement with a jeweler. The incident happened like this. My wife had a pair of gold earrings as part of her wedding gift from her parents. However, one of the earrings was misplaced and we wanted to make a second pair so that she could wear the gold set in full, i.e. necklace, earrings, ring etc. On enquiring with the jeweler, he agreed to

make a copy. He told us that after he made the copy, we would have to purchase it from him based on the market price of gold on the day of the sale plus making charges to which we agreed. However, he asked us to keep the remaining earring with him so that he could send it to his goldsmith. We asked him to ensure the safety of the remaining earring and I stipulated that he pay us back the value of the gold in the earring based on the market price of gold in case it was lost. The jeweler did not agree to this condition saying that he would give back the value of the gold based on not the market price but the buying back price of the sold gold. We were not amenable to this and the transaction between us did not happen; and it was good that it did not happen for shortly after, we had located the missing earring and the set was whole.

My question here is - what is the legal and Shari'ah ruling on the buying back of gold at a value which is less than the market price of gold?

2. What is the difference in the financing option provided by Islamic banks against conventional banks. As a consumer, I see no difference. For e.g. if I want to purchase a car for AED 60,000; then I would pay to the conventional bank 60,000 plus some amount - which would be interest. To an Islamic bank also, I would not pay only 60,000 but an amount which is greater than this amount. From my viewpoint, this would also be an interest transaction. Can you please explain if there is a difference here and how Islamic finance is truly 'Islamic'.

3. When I keep my money in an Islamic bank, we get some amount as PROFIT every quarter. If I do not know where the bank invests the money which we keep in the savings account or the investment account, how can I guarantee that the bank is not giving out the money as a loan on interest to others, or investing in companies which are not in Islamically accepted business. For e.g., we know that the Dubai World has taken a loan on interest; how do I know that the Dubai Islamic Bank has not invested in Dubai World.

I thank you in advance for your time and answers. Allah hafiz

Ahsan

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Ahsan

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

1. Of course buying and selling is subject to negotiation between partners, if there is substantial discrepancy a court may change the negotiated price. But you must realize that in jewelry business jewelers always buy gold minus manufacturing on the assumption that they will melt it down and re-manufacture it again. In other word, yes it is permissible to negotiate a price other than the prevailing market price, especially international price. Any change after the contract can be imposed by a court provided one proves substantial discrepancy.

2. In plain English the difference is in the nature of contract: loan with interest or buy at deferred but higher price. This difference is a big one from legal point of view. 1) you must realize that no one gives you his money free, whether Islamic or Kufranic; 2) sale contract is based of freedom of contracting and it is fair that price is higher when you delay payment; 3) a loan is a debt and the debt does not create additional value, this is why interest is unjust; 4) goods, a car, has intrinsic utility while a debt does not have it, when you buy a car on deferred payment you are actually buying a car plus its utility until you pay for it. a debt does not have such utility. 5) look at it for the macro view; tying finance to buy and sell goods creates a strong

link between finance and real economy, giving debts does not, and there are more that you really need a full course.

3. An Islamic bank commits itself to investing in accordance with Shari'ah. If you do not trust it do not deposit with it. You really are required to make your own Ijtihad on this matter. I know there are finance institutions which claim they are Shari'ah compliant but they are not definitely, most people know that about them not only me. But All Islamic banks, including DIB, have usually respected Shari'ah advisors who guide them in this regards. I trust that although I may differ in Fatwa with some of them. but that is a difference of opinion which does not drive them outside Shari'ah.

One more thing: an Islamic bank may finance anybody regardless of what this body does with other transactions but an Islamic bank may not finance two things: it does not go in partnership (like Mudarabah which is the basis of your saving and investment accounts with DIB) unless this anybody is committed fully to Islamic Shari'ah in the project financed on partnership by the IB. it does not finance on Murabahah or Ijarah anything that is not Shari'ah compliant. Examples in application: IB may sell a Jew a car but it does not sell him liquor, an IB may go in partnership with a conventional bank in building an airport but may not buy shares in a conventional bank, an IB may finance on Murabahah or Ijarah ten trucks for a company that uses interest loans for other ten trucks or for goods which are shipped on these trucks.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Abdul Wahab

Sent: Thursday, November 22, 2012

Question: on Islamic trading

Dear Sir,

I am very confused on the current trading platforms, I had a few questions on currency trading. I would be very happy if u helped me on this.

May Allah give you the rewards for doing such great help in the current Islamic finance system

Abdul Wahab

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Abdul Wahab

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Trading currency on the internet is not permissible in my opinion. In all its Forex, including the claimed Islamic, it does not fulfill Shari'ah requirement for currency exchange. It is also speculative and speculation underlines many rulings in prohibiting certain practices like future commodities and short contracts.

From: Chantal

Sent: Thursday, December 20, 2012

Question: are paper money and bank accounts subject to Zakah

From: Chantal

Assalam 'Alaykum wa Rahmatullah,

I hope you are well. Sheikh, I contact you b/c I know of no one with as much knowledge of economic matters as you, at least from the Muslim body of scholarship. I really feel I need your help in understanding the issue of gold and silver and those who demand a return to gold and silver and say that fiat money is usurious in its very nature. Can you please help me?

Lately it seems Muslims all over the internet, and Facebook in particular are alive with talk of how we need to return to gold as currency and revive the gold dirham. They say paper money is haram, etc. etc. What most interests me though is their claim that the value of gold is stable, almost fixed as it were (as although gold has been relatively stable, I always thought nothing is worth anything more than what people will pay for it. I thought gold only has value because we say it does). What's the truth about all of this? Is gold completely stable? Could it be afflicted with the same challenges as paper money? Is a return to gold as currency possible, and if it is, how easy would such a thing be?

Jazaka Allah Khair.

Chantal

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Chantal

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I did not answer you earlier because I believe the issue is not worth any discussion.

First there is nothing Islamic about gold and silver. Even Umar the Second Khalifah tried to make currency out of camel hides. There is nothing in the Qur'an and the Sunnah that requires money to be metal or out of gold and silver.

Second, it is unwise economically to dig for gold in order to bury it again as stored reserve in the basements of central banks. Looks very stupid economically when you can make money out of cheap paper or even electronically at almost zero cost.

If someone wants to go to gold and silver they should also go to camels and donkeys for transportation. Why reversing progress of humanity?

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Chantal

wa 'Alaykum Assalam wa Rahmatullah,

If I sent you an article on this, would you look at it and help me find the mistakes in it? The problem ya sheikh is that the Murabitun push this idea so heavily, they are dominating forums online, on FB, and confusing so many people, and converts can be especially vulnerable. They tell people they don't have to pay Zakah on paper cash, b/c it's Riba based, etc. etc.

I agree, the idea is ridiculous. I know that, but I don't have the knowledge to fully respond, and I fear this idea is like a virus that will spread.

If not, in the least, I appreciate you responding like you did. Jazaka Allah Khair.

Chantal

p.s. I'm sorry to keep pestering you. Just b/c it's being talked about even in "regular" American

society, when the Murabitun come and confirm that sort of thing, converts get confused. Just a book or 2 to get me started, and I'll try to just go read up on this. I know you have more important things to do. Just someone has to answer them. I'll do my best if you can just get me started.

My Answer:

No, I have more important things to undertake.

Best Regards,

Wassalam

Prof. Dr. Monzer Kahf

From: Chantal

Ok, can you recommend any resources or references? The problem is they are growing in number, and in a forum of 1500, their voices are the loudest and I know so many people who are starting to get confused, and even for me, while I know intrinsically something is wrong, I can't always articulate what it is.

And it's a growing movement in America as well, thanks to the Libertarians and Tea Party crowd, so for us in the States, this is becoming a problem.

Just point me in the right direction, and I'll try to make my way from there.

My Answer:

Dear Sr. Chantal

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Don't be emotional. These ideas have no influence on nobody. And we don't go around answering every wrong idea or thing people do, that is too much and none of our business. Besides what is this Murabitun? Whoever they are they have no influence beyond their own noses. It is well known to any Muslim, convert or not, that paper money and bank accounts are subject to the rules of Zakah and Riba. people don't write on it anymore because it is completely settled issues.

Best Regards,

Wassalam

Prof. Dr. Monzer Kahf

From: Nizar

Sent: Saturday, January 12, 2013

Question: Forex Trading

Bismi Allah al Rahmani al Rahim,

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Sir I came to know about you and your website while I was searching for Islamic Shari'ah Law on Forex trading,

as mention on your earlier PDF for questions and answers for all the questions it's mentioning that Forex is not permitted because of margin.

my request is:

Can you please elaborate with one numerical example for a Forex trading and how it occurs, what is meant by margin here and which will be the margin and how it is getting involved on this transactions and why margin is getting involved on this trade is the transaction is getting done on at same time.

Sir, I know that people getting involved on Forex trading without proper knowledge of Forex

and Islamic Shari'ah on Forex. I think this will help all of us to come for a grate solution.
please gibe one numerical example.

I think once is Haram on Islam means its Haram there is no alternative to make Haram as Halal.
Nizar

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Nizar

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Forex is not permitted in my opinion for three reasons each one alone is sufficient to make it non-permissible.

1. The margin: Shari'ah requires payment in full of both currencies. This cannot be done when there is margin trade. In margin trade you only pay part. It is incorrect to claim that the broker gives you a loan. the broker does not give a loan because the transaction is defined as only margin, that is a small payment paid by each party, seller and buyer.
2. The Speculation: the Forex transaction itself is speculative purely because those who need foreign currency for their business and travel, etc. they take the currency from banks and money exchangers. Those who go Forex are only those who make transaction for speculation. Not real trade. Besides, according to Shari'ah money is not for trade, money has functions to perform and it is treaded different than goods and commodities. This is why in Shari'ah sale and buy of currency is made different and more reserved than goods and commodities.
3. Forex practices are not even real buy and sell. The transaction is as follows: you put a deposit of \$1,000, you trade 100,000 worth of currencies. But how? You buy Euro say 20,000 for Yen say 4000,000 Yen. You own 20,000 Euros and you are under debt of 4 M Yen. Your Dollar account is not touched. You do not buy for your money, as two new accounts are opened for you one in Yen debit and one in Euro Credit. This is not real sale or real delivery. This is in fact fake.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Chantal

Sent: Wednesday, January 30, 2013

Question: Bitcoin??

Assalam 'Alaykum wa Rahmatullah,

InShaAllah you are well. Have you ever heard of bitcoin? Someone asked about its permissibility, its Zakatability, and so forth. It's some sort of digital money, it's an independent sort of currency. can you explain this to me? Is it halal?

Jazaka Allah Khair.

Chantal

My Answer:

Dear Sr. Chantal

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Don't give much attention to such matters. Any property that makes a part of wealth (provided

it is not harmful to human beings individually or in groups) is subject to Zakah if it reaches certain amount and becomes an established component of wealth through the passage of some time, the lunar year condition.

So what there are several kinds of money (or things used as money) in our lives today

Best Regards,

Wassalam

Prof. Dr. Monzer Kahf

From: Yasir

Sent: Friday, February 15, 2013

Question: Metals investment

Assalam Alaykum,

I would kindly request your advice. I am considering to invest in silver

There is an exchange traded fund, in Canada where I live -- SBT.UN

<http://www.google.ca/finance?cid=4988995>

It is "Silver Bullion Trust" , <http://www.silverbulliontrust.com/>

My understanding is would essentially be like a silver certificate, which is actually backed by physical silver.

There site claims their assets are 98.6% silver, with some cash assets in 1.4%

I wanted to request your opinion if buying and selling electronically SBT.UN shares is permissible. If it is permissible, aside from Zakah would I need to do anything else to purify and profits I make?

I have some physical investment in metals as well which I plan to hold longer term Insha'Allah. However, for the SBT.UN shares, I am considering buying and trading more frequently as the price fluctuates. Best Regards,

Jazaka-Allah

Yasir

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Yasir

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I consider buying and selling frequently a speculative behavior and I believe that speculation in anything is not permissible. It may be a quick way to acquire wealth lost by others or vice versa.

I do not believe that any certificate issued by any financial institution does actually represent silver or gold. Only receipts issued by warehouses represent silver or gold. Financial institutions issue certificates backed (which means collateralized reserve) by a percentage reserve of the metal.

Further, trading warehouse receipts of silver and gold requires either physical delivery of the metal or an agency contract with the warehouse by the each of seller and buyer to allow internal delivery by the warehouse management and change names on their records (not only handing over the receipt) each time a sale is done. This is a matter that is not done in the existing markets and metal warehouses.

Shari'ah made transactions on gold and silver (which were money of that time) and other currencies more specific and restricted than other commodities in order to deter people from

abusing them as speculation objects.

There is no other obligations on holding gold, silver and money besides Zakah except financial obligations that arise from other circumstances such as family and kin expenses.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Wa Alaykum Assalam wa Rahmatu Allah wa Barakatuh

Thank you for your detailed response. I will, Insha'Allah, avoid all speculative trading.

I would again kindly ask your advice. I have some RRSP funds accumulating for many years. I had them in mutual funds, and as I learned more about Islam, I got out of it as it appeared all of these funds have a lot of investment in other banks, Riba, etc.

At the moment, it is a self-directed RRSP account and I converted the mutual fund to cash, but the cash is still sitting in the self-directed RRSP account. If I take it out, I would have to pay quite a bit of tax. I was considering a long-term investment using the SBT.UN silver ETF, but from your analysis below it doesn't sound like this is Shari'ah compliant. I can purchase shares, but if I sell, I would never know the actual buyer.

I am considering cashing out this RRSP, and perhaps put it towards a property investment, although that would result in a higher tax for me. But, I thought I could ask your advice if there is some way to keep the RRSP and invest in something halal. Or, perhaps another option is I simply leave it as cash. Jazaka-Allah

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Yasir

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I think you have more than one option:

Invest with the Islamic Housing cooperative, it is approve by RRSP to the best of my knowledge. It is in Toronto area and is been there for more than 30 years.

Investing in permissible shares with purification is also Ok. What is Haram in shares in not ignorance of the buyer but shares of banks and other companies whose main business is Haram. If you invest for long term in utilities and their likes and apply the principle of purification it should be OK.

You can borrow from your RRSP instead of withdrawing. This gives you opportunity to invest in real estate without paying the penalty and tax on the rrsps. Interest which you pay to your own account is not Haram because in fact it is not interest being from you to you.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Suhaib

Sent: Saturday, March 08, 2014

Question: Clarification on FX trading

Salam and good day Dr

I am Suhaib, a FX trader with one of the commercial banks in KL, Malaysia. I am in the midst of forming my own hedge fund company and I would love to ask question/your opinion pertaining investment and trading, tandem with Shari'ah.

The future company will get involve with financial market instruments; mainly bonds, equities, commodities and FX transactions among others. On FX trading, it's a clear indication that swap points involved (for interest rate differentials are Haram/non-Shari'ah compliant).

I just want to have a clarification on leverage part from any of the FX broker, for example 1:400 or 1:500 times from the initial principal. It's understandable that there is no element of Riba involved with the FX transaction; on the leverage (compare to the leverage/margin offered with interest in equities/stocks trading). What's your thought on the leverage in FX, particularly to link with the ownership of the said good (for my future clients). Need your clarification in this as I am planning for Islamic instruments under my future hedge fund.

Thanks and regards,

Suhaib

My Answer:

Please explain your question in details with an example

Wassalam

Prof. Dr. Monzer Kahf

Salam Dr.

I'll try to explain in layman's term.

I am a currency trader, working with one of the commercial bank in Malaysia. My job is to manage the flow of the USD/MYR position and to trade the G7 currencies for profit (for the bank) based on the limits given. Since I am with the commercial bank, there is no restriction on the activities under FX (spot or forward). But most of my transactions are in spot basis. I know for a fact that any transaction in forward or future is forbidden in Shari'ah (i.e. to buy USD/MYR for value 3 months later, but dealing now - 3 months forward USDMYR or any duration in the future).

Most of the Islamic banks will avoid in dealing with forward which involved the calculation of swap points (the interest rate differential between 2 countries. If USD/MYR, means the calculation of interest rate of US and Malaysia). However, there is a view which can relates to the concept of Salam, Arbun and part of Istisna' for forward/future deals. That's the reason why in Islamic banking, we have products like Islamic Profit Rate Swap (to compare to the Interest Rate Swap in conventional banking) and Islamic FX Forward (to compare with FX Forward in conventional banking). And I believe there will more views in Islamic banking to create as an alternative compare to conventional products.

Back to my main issue, I am not asking on dealing in forward or future. It's still under spot basis as that will be the simplest without any arguments among Scholars.

Looking at the spot transactions (for both managing flows/covering and trading), it's understandably alright (I believe it's makruh) looking at the operations by all the Islamic banks, be it from Malaysia or Middle East banks. Al-Rajhi, KFH, Asian Finance Bank among others are alright with the spot transaction. They have their own traders who trade in any currencies (G7 or exotic currencies). But they can't accept forward deals which involved the swap point calculations.

The standard amount in FX transaction (interbank market) is USD 5.0 million (1 lot). Beside FX

transaction with banks, there are loads of FX brokers who market it online. FX broker is a intermediaries between the provider/market maker (normally banks) and the user/retailer/individual. Their products ranging from spot to forward. Again, I am only interest in Spot. Through these FX online brokers/service providers, any person who interested to trade, need to open an account with them while deciding on how much to trade. I am only looking for reputable providers in the market (like FXCM and FXPro).

The operator normally offer a service of leverage (facility) without any interest rate charge for any of its customers to trade for bigger amount (as standard lot/market practice is USD 5.0 million per lot). They sometimes offer leverage of up to 500 times of your initial principal. If you put in \$1,000, means you can use the facility and trade up to \$500,000 worth of value/contract. In terms of ownership, you are entitled for any position that you agreed upon (as it will be based on settlement contract). The gain/additional proceeds will deposited to your trading account on any trades which favors you while for losing trades, they will minus/deduct from you money in the trading account. They will make sure that your trading account balance wont less than 0 (or negative in value).

On top of that, there are few brokers who try to make it tandem and in line with Shari'ah, creating a trading account with no swap points (Swap point free) for Muslims. Swap point calculations will taking place if we hold the currency after 1 day.

I'll give you an example of it; Say I want to buy USD/MYR (means I buy USD and sell MYR), the basic fundamental in calculating the swaps are as follows:

United States interest policy rate: 0.25%

Malaysia interest policy rate: 3.00%

So if I buy USD/MYR (long USD and short MYR), theoretically I'm carrying a negative swap in my position (interest rate: 0.25-3.00). Thus I need to minus from my current position (or pay more) after a day. But if I sell USD and buy MYR (short USD and long MYR), it will be an additional income as MYR gives higher interest rate compare to USD).

Back to my explanation earlier, nowadays there quite numbers of FX provider who takes out the swap point calculation to serve the Muslim users and change it with fixed fee, like \$5 per lot.

My real questions (after this) reflect to the fatwa issued by the Malaysian authority which I believe its more political rather than honest opinion (to protect the banking sector locally) or perhaps it's too general in protecting the normal people rather than people who have knowledge in it.

<http://www.nst.com.my/top-news/bank-negara-clarifies-fatwa-ruling-on-forex-trading-1.47541>

Q1 - Whats the Shari'ah view on Leverage?

Please bear in mind that the leverage in this transaction is Riba free (no interest charged), and not as the same as leverage/facility given by most of the banks for stock market transactions where they give loan up to 100% of your principal in trading account with 6-8% interest rate charged per annum.

Q 2 - What's the status of the ownership of the currency?

Say for example a person put in \$1,000 in the trading account, and with 500 times leverage (1:500), he can buy or sell of up to \$500,000 worth of currency. Many will say the ownership is only for \$1,000 (as per what you have) but the dealing contract is \$500,000. Means you are entitle for \$500,000 and not \$1,000 even though you know at that time, \$499,000 is based on facility given to you. I say this because any profit or loss will be based

on \$500,000 and not \$1,000. Secondly you are bind with the contract of \$500,000 and not \$1,000. The operator will close the position should the current market (mark to market) of the position brings your initial principal to 0. To avoid from the force sell/margin call, trader can go an topup the principal to bring back the ratio to 1:1 of the total investment (in this case add the \$499,000 to make it even, ratio of 1:1)

Q 3- What's the status or condition on the element of Gharar and Maysir involved in FX trading/transaction?

For me, back to basics whereby Islamic banks worldwide found it alright in FX trading.

In fact I have experience and knowledge in dealing with FX, which demolish the concept of gambling. We have technical and fundamental analysis before we buy or sell. I believe the gambling element is more fit to person who trade without knowledge (i.e. simply enter a trade without any basis).

Hope to get your explanation on this. And I am sorry for a super long email for this time.

I shall explain more on the condition/situation should you find it confusing.

Thanks and Wassalam

Suhaib

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Suhaib

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

1. I believe that trading currency is prohibited except for those who buy it as a need such as travelers and importers or those who provide service to them, whether banks or currency exchange shops. For the latter the objective is to provide service not to speculate.

2. Buying currency options strictly for hedging and existing position (asset or liability) is permissible provided such an option is either exercised or let expired. In other word selling is not permissible and of course trading it too.

3. Trading currency on the internet is also not permissible on two grounds, it is speculation and it is fake. Fakeness comes from the idea of pair trading as you explain it below (you buy one currency for another not for paying it from your account). This pair transaction is in direct violation of the very strong and authentic Hadith about hand to hand.

4. Buying or selling on the internet actual existing position, without trading, i.e., you have a payment to make in a foreign currency and you buy it on the internet for actual payment for your account in local currency, or having foreign currency and you sell and deliver it on the internet is permissible provided exchange of the two currencies is actually done by actual debit and credit records with the other party.

5. Currencies are defined in Shari'ah not as objects of speculation but as facilitators of real trade and store of value.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Hidayath

Sent: Wednesday, January 15, 2014

Question: Shari'ah view on bitcoin

Dear Dr. Kahf

Assalam 'Alaykum wa Rahmatullah

I pray this finds you in the best of health and Iman. I've read some of your work and have found it extremely useful MaShaAllah - jazakAllah Khair.

I wonder if you can help shed some light on the Islamic perspective on bitcoin. Have you had a chance to investigate this phenomena at all? Do you have any thoughts on their Shari'ah permissibility or otherwise? They have been catching on in a very big way over the past few months. A very short summary of bitcoin is below my email. If not, can you recommend someone who is qualified to issue a ruling on this?

JazakAllah Khair

Wassalam

M. Hidayath

"Bitcoin is a decentralized digital currency that is backed by cryptographic proof (i.e. as opposed to banks or governments). I can explain this in more detail if you like, but just to summarize: the currency is created at a constant rate, and its transfer is cryptographically verified by computing one-way hashes of the transaction log up until that point. This hash is virtually impossible to forge.

It was created to circumvent government controls over the transfer of currency. Essentially it is fiat currency (not backed by hard gold or silver or anything) and its "value" is largely based on speculation at the moment (from \$6 a year ago to around \$1000 today). It is a multi-billion dollar economy right now and growing really fast. A lot of people have questions about its permissibility."

More reading:

<http://en.wikipedia.org/wiki/Bitcoin>

<http://www.economist.com/blogs/babbage/2011/06/virtual-currency> (technical)

<http://www.economist.com/blogs/economist-explains/2013/04/economist-explains-how-does-bitcoin-work>

<http://www.washingtonpost.com/blogs/the-switch/wp/2013/11/19/12-questions-you-were-too-embarrassed-to-ask-about-bitcoin/>

<http://www.aljazeera.com/indepth/opinion/2013/03/2013391325331795.html>

<http://www.aljazeera.com/indepth/opinion/2012/05/20125309437931677.html>

My answer:

Dear Br. Hidayath

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Can you please give me more info on this bitcoin. Especially how it is generated or created each time, and how it is exchanged for goods and services, can you buy apple and banana and airlines ticket with it? who gets the seigniorage whenever new bitcoin are created, how prices are determined in bitcoin? Etc.

The point is anything can be money if people accept it with no one getting to reap its benefit.

Best Regards,

Wassalam

Prof. Dr. Monzer Kahf

Dr. Kahf,

Wa'alaikum Assalam warahmatullahi wa Barakatuh

I appreciate your response, and please accept my apologies for the late reply. I had been travelling and lost track of this thread.

With regard to your questions:

- 1) How they are generated: A log of bitcoin transactions are divided into blocks. Bitcoin are awarded when someone is able to find an input to a predefined hash function that causes the hash to have a certain feature (e.g. end with a number of zeros, for example). This is a random process, statistically it will happen every x minutes. Right now x is 10. So millions of CPUs are crunching numbers every second trying to find that input, and the first to find it and get it verified by everyone else receives a bitcoin. This is also how transactions are preserved.
- 2) An increasing number of online merchants are accepting payment for goods and services in bitcoin (e.g. Overstock.com)
- 3) There is no cost to creating bitcoin - therefore there is no seigniorage as far as I can tell.
- 4) The value of bitcoin is determined by the free market, like any other currency. Currently 1 bitcoin is worth \$827.

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Hidayath

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I made some thinking on bitcoin and even asked one of my student to write a term paper on it... Bitcoin is a unit of account for those who accept it.

Let me put it this way: if you and I agree that I buy a laptop from you for 20 units of X. I get the laptop and become under debt to you for 20 Xs. If several other persons come into this agreement and accept to make similar exchanges, let us say we become 100 and we exchanged goods of the value of 2000Xs. Don't you think that this 2000 for this universe of 100 people is a money that they can exchange any within the accounting/settlement system they have among themselves? Is this any different than bitcoin? If we have more people accepting to price goods/services for Xs and give them in exchange of Xs this X becomes more common and more accepted.

A problem may come from two angles: 1) if people lost confidence in the accounting/settlement system the X money will then crumble. 2) if you want to value this X in terms of Dollars or Rials/ here you will need to go back to the market and find a relation between goods and Rials or Dollars and take then in proportion to relationships between these goods and services and the X money. If these these proportional relationship (pricing) are done in the open market and among a large number of transactors the price of X in terms of Dollar and Rial may be accepted as a product of market forces (they may not be rally ideal or immune to any manipulation but this is the nature of any market). but if these relationships are done in closed circles I have as great suspicion of manipulation and my confidence collapses in the X money. This is exactly what I have in bitcoin. Until it becomes traded in the open market chances of manipulation are high and my confidence in it is low.

Let us now look at the Shari'ah aspect. Like any other currency it is money within its community and exchanging it with other currencies is definitely subject, in my opinion, to same conditions of exchanging currencies which are: 1) had delivery of both at time of exchange, no leverages and no futures, and 2) no speculations on currencies which means people who exchange it must have a cause to buy or to sell other than the idea of currency for currency (buy to use it

or sell because you got it but in need for other currency)

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Hidayath

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Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Sameer

Assalam Alaykum wa Rahmatullah dear Monzer Kahf.

Brother Hidayath shared your response with me.

I wanted to let you know that bitcoin is actually traded at a large scale right now globally.

On the US market (<https://www.bitstamp.net/>) they are doing around 15,000 BTC a day (\$9 million USD)

On the Chinese market Huobi they trade up to 150,000 BTC a day

The popular Bulgarian site <http://btc-e.com> trades up to 40,000 BTC a day

<http://bitcoincharts.com/markets/>

Total market cap is around \$7 billion USD at the moment

<https://blockchain.info/charts/market-cap>

Does this help assure your fears of it being manipulated?

Sameer

My Answer

Dear Br. Sameer

I understand the computer engineering strength of bitcoin and its growing acceptance. But notice was there a bitcoin crisis recently when one of the settlement house had trouble? What will happen if more than one of these houses have serious troubles? Is it not simply a matter of confidence which make people accept it? currencies issued by government may also lose people's confidence and they go down in exchange prices. At least there are countries which support their currencies and are able to do so. Who support the bitcoin and is it able to fulfill?

From:

Sent: Thursday, June 12, 2014

Question: Leverage Question!

Assalam O Alaykum

Dr. Monzer Kahf

Recently, I found your fatwa about Forex trading, it's good to have your view on it, but I want your confirmation again on your words and want you to prove me what you said is correct.

"Your broker did not give the right info! Here it is: Trading in the currency market is a margin trade by definition. It does not require a loan. It a lie by the broker to claim that he gives you a loan! Currency and commodity markets deal an margin that is for \$1000 deposit you can make trades in the amount of 100,000 because the margin is only 1%"

Indicated with red. How can you prove that its a lie by the broker and what proofs you have for your statement? I am not challenging you, sir. I am doing a research and this thing confuses me.

I am waiting for your reply.

Best Regards,

Wahaj

My Answer

Dear Br. Wahaj

Please read the regulations of New York, Philadelphia, Chicago, London and Frankfurt exchange markets especially the definitions of these transactions.

Prof. Dr. Monzer Kahf

From: Shiraz

Sent: Friday, August 29, 2014

question: Forex question

I currently trade currencies online, spot Forex with no leverage, also no interest charged on

positions held overnight.

Could you tell me if this is acceptable with regards to Islamic requirements.

Many Thanks

Wassalam

Shiraz

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Shiraz

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I believe that the conditions required by the Prophet, pbuh, for trading currencies are not fulfilled. Trading Forex on the internet does not fulfill these conditions.

Besides, these conditions aim at making currencies outside the daily trades of people and only used for and by those persons who need other currencies for payment of purchases of goods and services. In other words the objective of these conditions is to make currencies outside the speculation arena. I believe that trading currencies on the internet is not permissible in our Shari'ah

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Shiraz

I don't understand your example, once I buy for example 1000 dollars against the British pound in Forex, the exchange rate is applied instantly and as soon as I sell the change in the exchange rate that occurred is also applied to my account instantly. Looking forward to your reply. Wassalam.

Shiraz

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Shiraz

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

The conditions mentioned in the Hadith is full payment of the two currencies at the time of transaction.

Forex transactions are in pairs this means that no payment is made from your account.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Salaam Dr Monzer

Thank you for your reply, you

mentioned that you believe the conditions required by the Prophet PBUH are not fulfilled,

could you tell me what those particular conditions are?

Many Thanks.

Wassalam

Shiraz

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Shiraz

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

The conditions mentioned in the Hadith is full payment of the two currencies at the time of transaction.

Forex transactions are in pairs this means that no payment is made from your account.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Dear Dr Monzer

Yes technically you don't take delivery, it's all electronic, but a lot of financial transactions these days are electronic with no physical delivery ever taking place?. So you would say doing Forex on the Internet is Haram? Wassalam

Shiraz

My answer:

Yes I say that, but again you missed the point that dual transaction does not include delivery. This does not apply to any electronic transaction.

From: Shiraz

My point was I know that I don't own the currencies in the trade, but is it not the case that I take delivery when I decide to close and sell or buy the currency/pair and then the profit/loss is instantly shown in my account.

My answer:

You keep repeating the same misconception. When it is a pair what did you pay for what you bought. No payment is done because your deposit account is still as it was. It is a pair record that is done. This is only record not payment. If I ask my bank to buy me a foreign currency it create a credit account for me in this currency and charge my account for its price. Forex on internet is not like that. Add to it when it is not like that it can be done for any amount that the platform accept to allow, it is not limited to what I own.

From: Adil

Sent: Thursday, February 26, 2015

Question: Is the currency exchange in Morocco, on spot basis, involving RIBA?

Assalam Alaykum,

I am writing to you dear scholar because I really don't know how to deal with a problem that I could not find in any fatwa on internet, even if some of your Fatawa are treating this topic.

I am used to work in several countries and have earnings in many currencies. I did not worry

about transferring them to my country before I discover rulings on currency trading/exchange. The problem is that in Morocco, Dirham is not free currency and currency exchange is very strict but not always following the religion rules - let's say maybe. A simple act of transferring money from one currency to the local one becomes questionable, in addition to the fact that it is mandatory in normal case : few people are allowed to keep foreign currency when resident there. The problem is that transfer from a foreign currency to local currency takes 3 days, and this is by rule. I am trying some tricks to avoid that, but I am not sure to be able to do that all the time, if not transferring my activities outside my country. Technically, it should be more complicated to explain, and maybe I could suggest you as a scholar to get interest of the Moroccan monetary system.

I have struggled all my life to avoid to give RIBA by taking loans, and Alhamdulillah Allah have made it as easy as my willing to go to that direction. I don't want to end taking RIBA, which is in all means A WORSE SIN.

So please advise me how I can deal with currency exchange (in Morocco), so that I avoid any Riba, and if there is no way, how I could get rid of this RIBA that Allah knows I want it very very far from me.

I trust very much your scientific approach and your knowledge, so I will appreciate advice as accurate as possible from you.

Jazaakallahou Khairan

Adil

My Answer:

Please explain your exact question. I could not understand it from between all the essay you wrote me.

Monzer Kahf

Dear Dr. Kahf

My exact question is :

Is the currency exchange in Morocco, on spot basis, involving RIBA? If yes, How a person should do, especially when changing foreign currency to local one is Mandatory by law? And how we can get rid of the Riba and keep the capital if such mistake has happened or if it is unavoidable? I will present hereunder the main examples of currency exchange transactions in Morocco :

1- Normal transfer transaction, directed by local monetary authorities :

A transfers to B from his USD account 1000 USD on 1st of February. Transfer will reach the bank of B on 1st of February, and B will receive 9000 Moroccan dirhams on his account on 4th of February. This delay is given by local monetary authorities. I understand also that if B spend up to 9000 dirhams above his current account balance (based on exchange rate fixed by central bank) on 2nd, he will not be charged any interest because of the amount under transfer.

2- Transfer from one account to another of the same person at the same bank. Same procedure but A & B are the same person.

3- Selling currency to monetary market : with conditions, and if your currency exchange exceeds 50 000 dirhams, you can negotiate exchange rate and delay. Example : for 100 000 USD transferred by A on 1st of February, the transfer reaches the bank on 1st of February. A call will settle the exchange rate at 9 Moroccan dirhams for 1 USD, and transaction day of 1st of February. On the 3rd of February, B will find on his account 900 000 dirhams registered on 1st of February. He can start taking this money from his account on 1st (or 2nd) of February, without interest.

I tried to be as clear as possible, based on the information I have.

Jazakallahou Khairan

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Adil

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

The OIC Fiqh Academy discussed the issue of transfer and sale across borders of currencies and gold and silver. There are several international procedures such transactions need to pass through and different countries have a variety of steps their laws and systems require. The decision of the OIC Fiqh Academy is: it is considered immediate any delivery that needs to pass through these steps knowing they may take several days.

So please leave the monetary processes of different countries alone and the time it takes for a transfer is permissible. As long as it is within these processes, it does not have Riba.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Sabir, UAE

Sent: Wednesday, May 27, 2015

Question: FOREX Trading

Salam,

I am an Indian Software Engineer working in Abu Dhabi. I got a call from ICM Capital suggesting Forex trading. It is claiming swap-free trading and Islamic accounts. Can I go for this?

Thanks

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Brother

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I believe internet Forex is in violation of Shari'ah.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From:

Sent: Sunday, July 19, 2015

Question: Investing in Gold

AssalamuAleikum Dr. Kahf,

Eid greeting and may Allah accept our Ibadah during the holy month of Ramadan and forgive our sins. Ameen.

I would like to invest in gold as long as it's halal.

Owning physical gold is impractical for me. Therefore, I was wondering if investing in Gold ETFs is permissible in Shari'ah. If not, could I invest in Gold mining company stocks? Here I worry about interest as these mining companies may be leveraged. Please shed some light on this topic.

Jazaka Allah Kheir,
Your brother in Islam,
Abdul Nasser

My Answer:

Bismillah al Rahman al Rahim
Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Abdul Nasser

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Sorry for the delay.

Buy and sell on gold requires immediate delivery at the moment of contract, gold certificates do not fulfill this requirement which came in a most authentic Hadith.

Transactions on shares of gold mine companies are permissible with no limits as the company that is been sold and purchased not the gold even if the gold component may be high in the assets of the company.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Abdulkabir

Sent: Monday, July 20, 2015

Question: Enquiry about BITCOIN TRADING

Assalam Alaykum wa Rahmatullah wa Barakatuh,

I read your feedback on your website with regards to the Islamic permissibility of trading BITCOIN.

Please could give me a specific answer if Islam allows trading and making money through BITCOIN TRADING?

Thank you in anticipation of your response.

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Abdulkabir

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

My answer is: I don't know, I tend toward the prohibition because of the high uncertainty of using it as a currency as it is not supported or adopted by a government.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Majd

Sent: Thursday, July 23, 2015

Question: شراء الذهب وبيعه دون قبض

السلام عليكم ورحمة الله وبركاته
ما حكم شراء الذهب عن طريق البنك دون ان يقبضه المشتري
ويبقى أمانة في البنك وبيعه المشتري بسعر السوق عندما يريد بيعه دون ان يقبض الذهب
فهل هذا جائز

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br.

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

الأخ المكرم الشيخ مجد
كل عام وأنتم بخير والسلام عليكم ورحمة الله وبركاته
لا بأس بذلك إذا وكل البنك بالشراء والحفظ و البيع وعلم الشراء الفعلي والاستلام الفعلي من قبل الوكيل. أقول شرط العلم هذا ضروري
لأن العرف في هذه المعاملة أنها بيع واستلام ورقي بحت، فهي قد تكون على الورق مجردا ومع ذلك يعبر عنها كما ذكرت في السؤال .
مع أسمى التقدير وأعز التحية
أ. د. منذر قحف

From: Awais

Sent: Friday, August 28, 2015

Question: Forex Trading

Assalam o Alaykum!

Ya Sheikh I want to know according to Islamic Shari'ah that Forex trading is halal or haram?

There are Riba free accounts so what is Islam's point of view on Forex trading?

But online trading or banking takes time to transfer the money so what's about that?

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Awais

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

They are not permissible. For currency there is a condition of delivery at time of purchase of the purchased currency and of the paid price. Forex cannot fulfill this condition.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Nur

Sent: Monday, November 30, 2015

Question: Money Exchange

Assalamualaikum. I'm really sorry because I've to email and asking these.

My first question is, if a person was lending me his money in Jordanian Dinar let say, and I was insisted to pay him using Malaysian Ringgit, what's the exchange rate I supposedly using, rate on the day I borrowed his money or on the day the money was returned?

Secondly, if my friend and I were exchanging two different currencies (MYR - JOD) and hence I locked the price, JOD 1 = MYR 6 for example to be transferred on the next day assuming tomorrow's price would appreciate, and we both were agreed. Is this method (price locked) complied with Shari'ah?

Last question I want to ask is, If I took JOD 100 from Shaman and I said to her "Okay Shaman I'll pay you MYR 600 in exchange but only in the evening I can deposit the money into your account", is this kind of transaction out of the meaning of Yadan bi Yad in Sarf as mentioned by Prophet Muhammad in the hadith?

Thanks in advance for your concern and reply.

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br./Sr. Nur

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Your questions are very important and need to be known before one makes any transactions/trade in these matters because it is inappropriate that one may undertake certain transaction before knowing their permissibility in Shari'ah. I really appreciate your asking.

1. Making a transaction (sale on credit or loan) in one currency and paying it in another: The Prophet, pbuh, was asked this question by Abdullah bin Umar and his answer was (I am giving the meaning not the exact text): you may pay in another currency (gold for silver or silver for gold at his time) provided you use the exchange rate of the day of payment and you do not leave any part changed but left unpaid. This means it is permissible to borrow JD 100 and pay in MR provided you apply the exchange rate of the day of payment and make full settlement or at least make partial payment at the date of day of payment and leave remainder in JD to be paid later. You must not change the whole and leave a debt in MR.

2. Locking a currency price violates the condition of hand to hand in all currency exchanges. It is not permissible in currencies. It is permissible in sale of other commodities for cash.

3. Exchanging currency must be hand to hand at the price of the time of contract. you cannot leave it to the evening. You may borrow the JD 100 and pay in the evening its equivalent in MR at the rate of the minute of payment not at a pre-determined (licked) rate.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Amelia

Sent: Tuesday, December 01, 2015

Question: Currency Trading

Assalamualaikum

My name is Amelia and I am so sorry that I've to ask you this question through email.

I have question about exchange money. Actually I still don't understand the concept and changing money with others that have different currency. For example, I have JOD currency and I would like to change with RM currency. So is there any kind of restrictions that I have to follow besides taqabud.

And also a lot of people have been telling me to do 'Aqd Wadi'ah in exchanging money. Is it sahih?

I've been meaning to ask somebody for a long time and I am kind of confused since every person has different opinion

Apologies in advance for taking your time sir.

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

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3. Exchanging currency must be hand to hand at the price of the time of contract. you cannot leave it to the evening. You may borrow the JD 100 and pay in the evening its equivalent in MR at the rate of the minute of payment not at a pre-determined (licked) rate.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf
